

VZCZCXYZ0001  
RR RUEHWEB

DE RUEHAM #0137/01 0151043  
ZNR UUUUU ZZH  
R 151043Z JAN 09  
FM AMEMBASSY AMMAN  
TO RUEHC/SECSTATE WASHDC 4199  
INFO RUEHGB/AMEMBASSY BAGHDAD 6145  
RUEHLB/AMEMBASSY BEIRUT 2971  
RUEHEG/AMEMBASSY CAIRO 3879  
RUEHDM/AMEMBASSY DAMASCUS 4048  
RUEHJI/AMCONSUL JEDDAH 0851  
RUEHJM/AMCONSUL JERUSALEM 5304  
RUEHRH/AMEMBASSY RIYADH 2074  
RUEHTV/AMEMBASSY TEL AVIV 1485  
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS AMMAN 000137

SENSITIVE  
SIPDIS

STATE FOR NEA/ELA AND EEB

E.O. 12958: N/A

TAGS: [EFIN](#) [ECON](#) [PGOV](#) [SOCI](#) [JO](#)

SUBJECT: DELAYED END OF RENT CONTROL HIGHLIGHTS HOUSING CHALLENGES  
IN JORDAN

REFS: A) 08 AMMAN 2369  
B) 08 AMMAN 2316

¶1. (SBU) Summary: The government is currently drafting amendments to the Tenants and Landlord Law which was set to end Jordan's de facto rent control as of December 31, 2010, by cancelling and requiring the renegotiation of all rental contracts. The amendments, which are backed by the King and PM, will delay the cancellation date until 2013 for the oldest rental contracts. Critics of the amendments, primarily landlords, argue that they merely delay rather than solve the problem and point out that Jordan's real estate laws discourage investment in needed rental properties. Supporters of the amendments argue that canceling leases or dramatically increasing housing prices for the 40% of Jordanians who rent homes would be untenable and could lead to civil unrest. This law will not impact the approximately 200 leases held by the Embassy because the law does not apply to expatriate leases. End Summary.

¶2. (SBU) In a bid to avoid adding further instability to Jordan's real estate market in the midst of a global economic downturn, the government is expected to refer to Parliament an amended version of the controversial 2000 Landlords and Tenants Law before the end of January. Article 5 of the law stipulated that all rental contracts in Jordan will be null and void on December 31, 2010. The current law was passed as an economic reform measure to end decades of rent control. Ayman Shwyat, a member of parliament's legal committee, said that the current law was needed because historically tenants have been able to keep their leases at the prices of the original contract even after its expiration and this has meant that many residential and commercial renters have paid the same rent for decades. Under the new amendments, the 2010 deadline for tenants to vacate properties or renegotiate contracts will be extended while landlords will have the power to increase the rental rate of their properties.

New Deadlines for Negotiating Rental Contracts  
-----

¶3. (U) The proposed amendments would extend the 2010 deadline to 2013 for rental contracts older than 24 years and delay other contracts from one to seven years based on their age. Until the revised deadline, landlords will be able to raise rents based on a calculation determined by how long the lease has been held. In some rare cases, landlords will be able to increase rents by over 200 percent. After the deadline, tenants will be required to vacate the premises unless they renew the contract with their landlords. Abu Judom Real Estate Company president David Abu Judom said that landlords are unlikely to make large increases for residential

tenants but will be targeting commercial tenants in the oldest and well-trafficked parts of Amman.

14. (SBU) Ibrahim Al-Zu'bi, an official at the Legislative and Opinion Bureau (LOB), said the new amendments were first sent to the Cabinet by the Prime Minister in fall 2008 but were returned to LOB for further review. Al-Zu'bi said this law is now scheduled to return to the Cabinet in January and the King has indicated that he wants to fast track it so as to quell popular anxiety over the looming changes. Al-Zu'bi complained that it is a weak law that "deals with the symptoms but not the disease" inherent in Jordan's real estate system referring to the problem of long-expired leases and low rents. Shwyat agreed with Al-Zubi's assessment and said this law has been and will continue to be vigorously debated in parliament. Shwyat expected, however that it would pass this term, because of its importance and timeliness.

#### Housing Initiatives to Fill Rental Property Gap

-----

15. (SBU) Dr. Mahmoud Al-Kafawin, general manager of the National Aid Fund, Jordan's welfare program, was confident that the government would pass the new amendments because otherwise thousands of people would be on the street and there would be a "revolution." He said housing already accounts for at least one-third of the income for most Jordanians. He lamented that while it was once possible to rent an apartment for \$75 - \$100 per month, it was now difficult to find an apartment for less than \$300 even in the poorest areas. An estimated 40% of Jordanians rent their homes.

16. (SBU) The government has long been aware of the looming 2010 deadline and Al-Kafawin and Shwyat said that the many recent housing

initiatives have all been designed to address the problems that will result when all rental contracts are ended. While they complimented these programs including the King's housing initiative, the army housing initiative, and a housing project in Zarqa funded by Saudi Arabia, they said the programs are insufficient to house the many people who might be affected by the law's changes (ref B).

17. (SBU) Opinions about the law are sharply split along landlord versus tenant lines. Property owners for the most part criticize the delay, noting that rents in Jordan are quite low and that current practices discourage investment in existing rental properties. They argue that current real estate laws and practices have distorted the housing market. Because of rent control, Abu Judom said builders and developers have disproportionately focused on high-end homes for purchase, often by Jordanians working in the Gulf, and have not developed sufficient low and medium-priced housing for rental. There is an estimated 150,000 housing unit shortage in Jordan and an additional 35,000 units are needed annually to cope with the growing population.

18. (SBU) Conversely, tenants worry about sharply rising rent prices after coping with a year with record 15.4% inflation (ref A). Jordanians have already cut back on expenditures because of rising food and energy prices and it is unclear how additional income for housing could be earned. Abu Judom acknowledged that with the inflation, Jordan's middle class has vanished and the government is eager to be seen protecting the vulnerable by not allowing the contract cancellations to proceed.

#### The Rush to Home Ownership

-----

19. (SBU) Officials at the Central Bank of Jordan and at local banks said that the discussions over this law do not impact the banking sector outside of encouraging home ownership. Abu Judom said that since 2000, his company has sold many apartments to first time home-owners aware of the 2010 deadline. Samir Sunnoqrot, General Manager of Capital Investments, said that the cultural desire towards land ownership has meant that historically anyone who is able to own property purchases it, even if rent control would make renting financially advantageous. Comment: Jordanian banks were not heavily invested in mortgage-backed securities and generally emerged unscathed, although more cautious, from the sub-prime fiasco. End Comment.

## Embassy Rentals Excluded

---

¶10. (U) This law will not impact the approximately 200 leases held by the Embassy because the law does not apply to expatriate leases. GSO also noted that all embassy residential rental properties have specific lease terms unlike the leases that will be voided by the 2000 law.

Visit Amman's Classified Website at  
<http://www.state.sgov.gov/p/nea/amman>

BEECROFT